



# Newsletter

APRIL 2003

Join us on the "WEB" at: [www.kentuckydcp.com](http://www.kentuckydcp.com) or  
<http://personnel.ky.gov/dcomp.htm>  
 or email us at: [persdeferredcomp@mail.state.ky.us](mailto:persdeferredcomp@mail.state.ky.us)  
 Telephone number: (502) 573-7925 or  
 (800) 542-2667  
 Fax number: (502) 573-4494  
 Nationwide® Retirement Solutions (NRS)  
 Web-Site Help Center: (800) 653-4632  
 Our address:  
 105 Sea Hero Road, Suite 1  
 Frankfort, Kentucky 40601-8862

## Cabinet Spotlight



**F**rankfort is, of course, the center of Kentucky State Government, with thousands of state employees working there on a daily basis.

In order to meet the needs of this important group, the Authority has implemented a Cabinet Spotlight approach to our 2003 education and enrollment campaign. Each month, Jolene Van Horne (the Frankfort Representative) will focus on a particular cabinet, or cabinets, in order to help ensure the good news about Deferred Compensation reaches all employees. She will also devote time to primary non-state government employers (City of Frankfort, Kentucky State University, Franklin County Schools, etc.). Another aspect of our plan to meet the needs of state employees is to come to major state office buildings and set up a table in the lobby on a regular basis. We have already had one of our "Table Days" in the Capital Plaza Tower. Dozens of employees stopped by our table, and several enrolled or made changes. Everyone seemed very glad to see us; they indicated that it was wonderfully convenient for them to be able to just stop by and see us on their way to or

from lunch or break. Our reps now have the ability to call up current account data on their laptops, and this feature was especially well received. Please note that we will be set up in the lobby of the "Tower" on the 2<sup>nd</sup> Wednesday of each month to better serve you. Other regular "lobby" days will be established for all major office buildings in Frankfort (and throughout the Commonwealth on an *as needed* basis).

Key financial education topics for 2003 will include: Asset Allocation, Tax Law Changes, Innovative Savings Techniques, Building a Personal Portfolio, Investing in a Volatile Market, and Developing Your Personal Retirement Goals.

We have already "Spotlighted" several cabinets, including Education, Personnel, Natural Resources, and Labor. Listed below are the cabinets we will be working closely with in the months ahead. If you want to schedule your cabinet, have any questions, or if we somehow missed you during our earlier spotlights, please call Charlyne Thurmond, our State Marketing Manager, at (502) 573-7925 in Frankfort, or toll-free from anywhere in the Commonwealth at 800-543-2667.

### Cabinet Spotlight 2003

May . . . . .Revenue Cabinet  
 and Kentucky State University  
 June . . . . .Health Services  
 Cabinet  
 July . . . . .Workforce Development  
 Cabinet

### Fixed Contract Fund Rate

A blended net crediting rate that will yield 4.20% will be credited for the Second Quarter of 2003.  
 The rate was 4.45% for the previous quarter.

## Board Actions Taken On February 12, 2003

### Watch List update

There were no changes made to the *Watch List* at the last board meeting. The following funds remain on the list:

Dreyfus Premier Third Century  
Fidelity Magellan  
INVESCO Small Company  
Growth  
INVESCO Telecommunications  
Janus Worldwide  
Munder NetNet

*In general terms, placement of a fund on the Watch List indicates that particular fund has under-performed its peer group on both a three-year and one-year basis.*

### New Board Member

Gordon Duke, Secretary of the Kentucky Finance and Administration Cabinet, was sworn in as an Ex Officio Member of the Kentucky Public Employees' Deferred Compensation Authority on February 12, 2003. Mr. Duke replaces Kevin Flanery who served as an Ex Officio Board Member during his tenure as Secretary of the Finance and Administration Cabinet. Mr. Flanery announced his resignation from state government on November 13, 2002.

Secretary Duke, 56, began his career in state government in 1968 as a budget analyst. In 1974, he was appointed Assistant Director of the Legislative Research Commission. He was appointed Finance Secretary in 1980 during the John Y. Brown Administration and then again in 1984 during the Martha Layne Collins Administration. He has also served as the state's Budget Director, worked as Director of the Crime Victim's Compensation Board, Director of the Department of Financial Incentives for the Economic Development Cabinet, and Director of the Agriculture Development Board.

Mr. Duke has a political science degree from Georgetown College.

# Don't Forget!

- **You can receive a FREE account review simply by calling our Marketing Department.** One of our registered representatives will be glad to go over your account with you, explain the many investment options offered through the Kentucky Public Employees' Deferred Compensation Authority, and help you make any appropriate adjustments to your portfolio. Plan now for a financially secure retirement. Call today: 1-800-542-2667.

- **Don't forget to give us a call *right away* if you are planning to retire in the not so distant future.** You may want to make arrangements to deposit payment for accumulated Annual leave, Comp time, or if you are a teacher, Sick leave into your Deferred Comp account upon your retirement. Doing so could save you thousands of tax dollars. Please call us at least 60 days before your retirement date.

- **Did you remember that the Maximum Deferral limits have increased for 2003?** If you are under age 50, you may be able to defer up to \$12,000 into the 401k Plan and an additional \$12,000 into the 457 Plan for a total of \$24,000. If you are age 50 or older, you may be eligible to defer up to \$14,000 into each Plan, for a total of \$28,000 in 2003. There is still plenty of time to increase your deferral amount for the rest of the year in order to take advantage of these new maximums and great tax-savings.

- **Are you trying to access our Web site but have forgotten your password?** *Call 1-800-653-4632 to have your password reset.* Remember your user name is your Social Security Number (no spaces or dashes).

- **Remember,** that if you have been a member of Deferred Compensation for *less than two years* and you request to have money transferred to the Kentucky Retirement System to purchase service credit, you will be assessed a administrative \$175 fee.

- **Just a reminder to let us know when you move.** Each statement period we get hundreds of pieces of returned mail from the Post Office. Some with no forwarding address. Please give us a call (at 1-800-542-2667) if you move so we can update your address in our system to help assure that you get important information regarding your Deferred Comp account.

- **If you change employers you may continue your deferrals into your 401k or 457 account as long as you are working for a State Agency, Local Government, Public School System, or Public University in the Commonwealth of Kentucky.** However, it will be necessary for you to contact us so we can forward you a new Participation Agreement to sign. This will give your new employer the authorization to start taking the reductions from your paycheck.

## Goodbye to Don Dampier, Part II

For the second time in his long and storied career, Don Dampier has decided to hang up the gloves with Kentucky Deferred Compensation. Don, who retired from full time service a couple of years ago, has played a key "Special Projects" role for the Authority in recent years. He has been Kentucky's liaison with our national association (NAGDCA), a valuable guest speaker to public employee groups, performed

several important functions during the Authority's annual Education Expos, as well as serving as the ever-popular "Good Will Ambassador" for the Commonwealth in general and Kentucky Deferred in particular. All Authority participants owe much to Don's enthusiastic leadership and promotion of the Plans throughout the years. He will be truly missed.

# Procrastination Doesn't Pay – at least in Deferred Comp!

Over the course of even a few months of my day-to-day duties I see numerous small inactive accounts. Often, I wonder to myself why these participants stopped their deferrals and never restarted them. I would bet that many of these people intended to begin deferring again --- “some day”. However, procrastination can be a powerful force and their “some day” has just never quite arrived.

Some of these accounts have been inactive for years. Perhaps some of the individuals have retired or terminated, but I know for a fact that many have not. They are still actively employed with a participating employer, yet they have allowed their Deferred Compensation accounts to lie dormant for 5, 10, 15, even 20 years. Imagine what those accounts might have grown to with the passage of the years and the magic of compounding, even with a minimal deferral of \$10 or \$20 per pay. Even more depressing is the tax savings these individuals have forfeited each and every April 15th.

Often these accounts are quite small, no more than \$100 or \$200. Even with the Authority's exceptionally low fees, such accounts stand virtually no chance to grow. All it would take to turn this situation around is a single telephone call or visit to our award-winning web site. The completion, signing, and submission of a single Participation Agreement would start the deferrals (and the tax-sheltering) rolling again. No deferral amount is too small for the Authority. *We are here to serve you*, not make a profit for some private corporate giant. I would suggest at least \$10 per pay (resulting in only about a \$7 reduction in take home pay), but you can choose to defer as little as \$1.

If you are one of these “procrastinators”, why not give the Marketing Team a call today, or visit our web-site to restart your deferrals. If money is tight, consider giving up a single can of coke or cup of coffee per day. Those few pennies saved would add up to more than enough to “Reinstate” your deferrals.



Someday  
I'll get  
back into  
Deferred  
Comp.....

I realize that some of you reading this may choose not to ever defer again, and perhaps would actually like to receive a payout of your account. If you have one of these small accounts (under \$5,000) in the **457 Plan**, and have not contributed to your account in 2 years, and have not had a prior payout (other than Hardship/ Unforeseeable

Financial Emergency), there is a special provision that would allow you to take a payout of your 457 account. It is called a DeMinimus Account Payout. However, it would restrict future participation. *401k accounts are not eligible for this payout.* However, a payout is available from a 401k account when an individual attains age 59½, for any reason. For more information, or the appropriate forms, please call our Payout Branch.

My hope is, however, that many of you who were forced to stop deferring in the past and always “intended” to start deferring again will take this humble editorial to heart, pick up the telephone and call Kentucky Deferred Comp today. Our toll-free number for all services is: 800-542-2667. If I can ever be of service, or if you would simply like to chat about Deferred Comp, just call and ask for Chris\*.

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*\*This is one of a series of infrequent, and occasionally irreverent, editorials written by Christopher J. Helvey, a long-term Kentucky Deferred Comp staff member. The opinions expressed are Mr. Helvey's own and, while he believes them passionately, they should not be considered investment advice.*

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# Fund Focus

For information only – NOT a recommendation for investment

## Fidelity Equity-Income Fund

### Investment Strategy

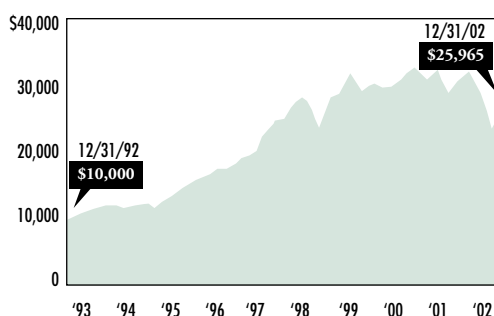
Normally invests at least 80% of assets in equity securities. Normally invests primarily in income-producing equity securities, which tends to lead to investments in large-cap value stocks. The fund has the flexibility, however, to invest the balance of the portfolio in other types of domestic and foreign securities, including lower-quality debt securities, which generally offer higher yields but also carry more risk.

### Suitability

The fund may be appropriate for investors seeking some income from equity and bond investments as well as the potential for capital appreciation. The value of bonds fluctuates based on changes in interest rates and the credit quality of the issuer. An investment in the fund may best be viewed as long-term due to the volatility historically associated with equity investments. Coupling income investing with growth potential, the fund seeks to offer investors reasonable income from equity and bond investments and the potential for strong returns over the long term. Investments in foreign securities involve risks in addition to those of U.S. investments, including increased political and economic risk, as well as exposure to currency fluctuations. You may have a gain or a loss when you sell your shares.

### Growth of \$10,000

The hypothetical \$10,000 investment assumes an investment on 12/31/92, is plotted quarterly and includes changes in share price and reinvestment of dividends and capital gains.



Past performance is no guarantee of future results.

Fund information is for illustrative purposes only. There is, of course, no direct correlation between a hypothetical investment and the anticipated performance of the fund.

### Objective

The fund seeks reasonable income and a yield for its shareholders that exceeds the yield on the securities composing the S&P 500 Index.\* In pursuing this objective, the fund will also consider the potential for capital appreciation.

Manager	Stephen Peterson
Inception	5/16/66
Size	\$17,733.7 M

### Manager Profile: Stephen Petersen

Mr. Petersen joined Fidelity in 1980 as a research analyst covering the airline and insurance industries. He currently manages Fidelity Puritan and Fidelity Equity-Income Funds and Fidelity VIP Equity-Income Portfolio. He also manages several trust accounts for Fidelity Management Trust Company (FMTM), including Fidelity Large Cap Value Discipline, Fidelity Balanced Discipline, and Fidelity Convertible Discipline.

Mr. Petersen is a Chartered Financial Analyst. **Education:** B.A., 1979, and M.S., 1980, University of Wisconsin.

### Top 10 Holdings<sup>2</sup>

Exxon Mobil Corp.  
Fannie Mae  
Citigroup Inc.  
Total FINA ELF SA CL B (Fran)  
Amer Intl Group Inc  
Bank of America Corporation  
SBC Communications Inc  
Merck & Co Inc  
Bellsouth Corp  
Schlumberger Ltd NY Reg  
22.2% of total assets (Total Holdings 464)

### Top 5 Sectors<sup>1,2</sup>

Financials	28.7%
Energy	12.9%
Industrials	12.1%
Consumer Discretionary	11.4%
Health Care	6.8%

### Portfolio Allocation<sup>1,2</sup>

Equities	95.5%
Convertibles	3.4%
Bonds	0.5%
Cash & Other	0.6%

\*The S&P 500 is an unmanaged market capitalization-weighted index of common stocks. The S&P 500 is a registered service mark of McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates. You cannot invest directly in an index.

<sup>1</sup>As a percentage of total net assets.

<sup>2</sup>The top ten holdings, top five sectors, and portfolio allocation are presented to illustrate examples of the securities that the fund has bought and the diversity of areas in which the fund may invest and may not be representative of the fund's current or future investments. The top ten holdings do not include money market instruments and/or futures contracts. Depository receipts are normally combined with the underlying security. The figures presented as of 12/31/02 do not include the fund's entire investment portfolio and may change at any time.